

TOWNSHIP OF BAY DE NOC
REPORT ON FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
YEAR ENDED MARCH 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BAY DE NOC TOWNSHIP	County DELTA
Audit Date MARCH 31, 2006	Opinion Date JUNE 9, 2006	Date Accountant Report Submitted to State: JUNE 9, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

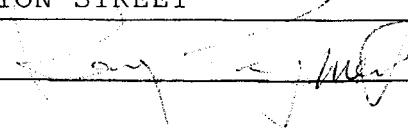
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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June 9, 2006

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board
Township of Bay de Noc
Delta County, Michigan

I have audited the general purpose financial statements of Bay de Noc Township, Michigan as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Township of Bay de Noc prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of American require the presentation of government-wide financial statements. The statements for the Township's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

June 9, 2006

BAY DE NOC TOWNSHIP
INDEPENDENT AUDITOR'S REPORT (Continued)

In my opinion, except for the effects of the omission of the general fixed assets, and government-wide financial statements as discussed above, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at March 31, 2006, and revenues received and the expenditures paid to such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of Bay de Noc Township, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Ray L. Payment
Certified Public Accountant

TOWNSHIP OF BAY DE NOC
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2006

	<u>Governmental</u>	<u>Fund Type</u>
	<u>General</u>	<u>Special</u>
		<u>Revenue</u>
ASSETS:		
Cash	\$ 26 747	\$ 109 486
TOTAL ASSETS	<u>\$ 26 747</u>	<u>\$ 109 486</u>
 FUND EQUITY:		
Fund Balance	\$ 26 747	\$ 109 486
TOTAL FUND EQUITY	<u>\$ 26 747</u>	<u>\$ 109 486</u>

See accompanying notes to financial statements.

TOWNSHIP OF BAY DE NOC
COMBINED STATEMENT OF CASH RECEIPTS
DISBURSEMENTS AND CHANGES IN FUND BALANCES
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED MARCH 31, 2006

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
CASH RECEIPTS:		
Current Property taxes	\$ 12 795	\$ 35 455
Delinquent taxes	2 049	3 571
State revenue sharing	22 220	-
Rents	1 625	-
Hiawatha Forest and C.F.R.	76	4 421
Tax collection fees	10 087	-
Interest	206	1 801
Reimbursements and miscellaneous	2 457	8 065
Grants	-	238 050
	<u>51 515</u>	<u>291 363</u>
TOTAL RECEIPTS		
CASH DISBURSEMENTS:		
Legislative:		
Township board expense and trustees	5 048	-
General Government:		
Township supervisor	5 975	-
Assessor	4 758	-
Insurance and bonds	4 069	-
Township clerk	5 373	-
Treasurer and tax roll expense	10 867	-
Township Hall	4 208	-
Board of Review	658	-
Elections	339	-
Fire protection	3 350	-
Public Improvements and capital expenditures	-	273 258
Highways and roads	-	56 861
Parks and recreation	5 470	-
Cemetery	-	15
	<u>50 115</u>	<u>330 134</u>
TOTAL DISBURSEMENTS		
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1 400	\$ (38 771)
FUND BALANCE, April 1, 2005	<u>25 347</u>	<u>148 257</u>
FUND BALANCE, March 31, 2006	<u>\$ 26 747</u>	<u>\$ 109 486</u>

See accompanying notes to financial statements.

TOWNSHIP OF BAY DE NOC
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
MARCH 31, 2006

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Current property taxes	\$ 12 795	\$ 11 552	\$ 1 243
Delinquent taxes	2 049	1 991	58
C.F.R. & Hiawatha Forest	76	73	3
State revenue sharing	22 220	21 900	320
Tax collection fees	10 087	9 074	1 013
Interest income	206	100	106
Rents	1 625	1 200	425
Reimbursements & miscellaneous	2 457	1 800	657
Grants	-	-	-
TOTAL RECEIPTS	51 515	47 690	3 825
CASH DISBURSEMENTS:			
Township Board and Social security	5 048	7 900	2 852
Township supervisor	5 975	6 000	25
Elections	339	1 400	1 061
Insurance and bonds	4 069	4 500	431
Township clerk	5 373	5 400	27
Treasurer and tax roll expense	10 867	12 000	1 133
Township hall and grounds	4 208	4 774	566
Board of Review	658	800	142
Assessor	4 758	5 200	442
Fire protection	3 350	3 500	150
Highways and streets	-	-	-
Public Improvements & capital exp.	-	-	-
Recreation and parks	5 470	6 000	530
Cemetery	-	-	-
TOTAL DISBURSEMENTS	50 115	57 474	7 359
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1 400	\$ (9 784)	\$ 11 184
FUND BALANCE, April 1, 2005	25 347	25 347	-
FUND BALANCE, March 31, 2006	\$ 26 747	\$ 15 563	\$ 11 184

See accompanying notes to financial statements.

<u>Special Revenue Funds</u>		
<u>Actual Amount</u>	<u>Budget Amount</u>	<u>Variance Favorable (unfavorable)</u>
\$ 35 455	\$ 35 000	\$ 455
3 571	3 000	571
4 421	-	4 421
-	-	-
-	-	-
1 801	-	1 801
-	-	-
8 065	8 000	65
<u>238 050</u>	<u>230 000</u>	<u>8 050</u>
<u>291 363</u>	<u>276 000</u>	<u>15 363</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
56 861	77 000	20 139
273 258	300 000	26 742
-	-	-
<u>15</u>	<u>-</u>	<u>(15)</u>
<u>330 134</u>	<u>377 000</u>	<u>46 866</u>
 \$(38 771)	 \$(101 000)	 \$ 62 229
<u>148 257</u>	<u>148 257</u>	<u>-</u>
<u>\$ 109 486</u>	<u>\$ 47 257</u>	<u>\$ 62 229</u>

TOWNSHIP OF BAY DE NOC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - REPORTING ENTITY

Bay de Noc Township is located in Delta County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NGCA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NGCA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educational services are provided through the School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The only Agency Funds are the Current Tax Collection Fund and Trust and Agency Fund.

SPECIAL REVENUE FUNDS

Cemetery Maintenance, Road and Public Improvement and Building Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF BAY DE NOC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bay de Noc Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

BASIS OF ACCOUNTING

Governmental Funds

The accounting policies of Bay de Noc Township do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the modified accrual basis of accounting. Consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an affect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Budgets and Budgetary Accounting

A budget is adopted by the Township Board for the General Fund and Special Revenue Funds based on anticipated required cash disbursements for the fiscal year April 1, 2005 through March 31, 2006, which is consistent with the cash basis of accounting for governmental fund types. The budget is adopted at the line item level. The Township Board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditure. The amounts budgeted are presented on page 7. All appropriations lapse at fiscal year-end.

FIXED ASSETS

The accounting policies of Bay de Noc Township as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general assets are not recorded.

TOWNSHIP OF BAY DE NOC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY TAXES

The Township's 2005 ad valorem tax was levied and collectible on December 1, 2005. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds on this levy are budgeted and made available for the financing of Township operations. Payment from the county which purchases the 2005 delinquent taxes will be recognized as revenue when received in cash. (See schedule of page 15 for levy breakdown and millage rates.)

NOTE 3- CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in one bank in the name of Bay de Noc Township Treasurer. Michigan Complied Laws, Section 124.91 authorized the Township Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	100 000
Non-insured	\$ 36 233
 TOTAL DEPOSITS	 \$ 136 233

TOWNSHIP OF BAY DE NOC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 5 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

The Township purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Township's expense is to pay only the annual premium. In addition, the Township purchases worker's compensation insurance.

TOWNSHIP OF BAY DE NOC
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
MARCH 31, 2006

	<u>Cemetery Maintenance Fund</u>	<u>Road Fund</u>	<u>Public Improvement Fund</u>	<u>Building Fund</u>
ASSETS:				
CASH	\$ 2 741	\$ 87 315	\$ 12 864	\$ 6 566
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE	\$ 2 741	\$ 87 315	\$ 12 864	\$ 6 566
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

TOWNSHIP OF BAY DE NOC
 COMBINING STATEMENT OF CASH RECEIPTS
 DISBURSEMENTS AND CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2006

	Cemetery Maintenance Fund	Road Fund	Public Improvement Fund
CASH RECEIPTS:			
Current property taxes	\$ -	\$ 35 455	\$ -
Delinquent taxes	-	3 571	-
Interest	30	1 201	101
Miscellaneous and contributions	-	-	3 118
Hiawatha National Forest and CFR	-	4 421	-
Metro Authority	-	4 947	-
Grants	-	-	7 436
TOTAL RECEIPTS	30	49 595	10 655
CASH DISBURSEMENTS:			
Road maintenance	-	56 861	-
Cemetery maintenance	15	-	-
Capital expenditures	-	-	7 503
TOTAL DISBURSEMENTS	15	56 861	7 503
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 15	\$ (7 266)	\$ 3 152
FUND BALANCE, April 1, 2005	2 726	94 581	9 712
FUND BALANCE, March 31, 2006	\$ 2 741	\$ 87 315	\$ 12 864

Building Fund	Grant Fund
\$ -	\$ -
-	-
-	-
469	-
-	-
-	-
-	230 614
<u>469</u>	<u>230 614</u>

-	-
-	-
<u>35 141</u>	<u>230 614</u>
<u>35 141</u>	<u>230 614</u>

\$(34 672)	\$ -
<u>41 238</u>	<u>-</u>
<u>\$ 6 566</u>	<u>\$ -</u>

TOWNSHIP OF BAY DE NOC
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUND TYPES
MARCH 31, 2006

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 723 898	\$ 723 898	\$ -
TOTAL ASSETS	\$ -	\$ 723 898	\$ 723 898	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Bay de Noc-				
General Fund	\$ -	\$ 23 720	\$ 23 720	\$ -
Road Fund	-	35 536	35 536	-
Delta County	-	125 927	125 927	-
Intermediate School District	-	42 636	42 636	-
Bay de Noc Community College	-	63 079	63 079	-
Area Schools	-	323 560	323 560	-
State of Michigan	-	109 440	109 440	-
TOTAL LIABILITIES	\$ -	\$ 723 898	\$ 723 898	\$ -

TOWNSHIP OF BAY DE NOC
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES
YEAR ENDED MARCH 31, 2006

	Bay de Noc Township <u>General Fund</u>	Bay de Noc Township <u>Road Fund</u>
Taxable valuation	\$ 17 131 525	\$ 17 131 525
Millage rate	<u>.7217</u>	<u>2.0000</u>
Tax Levy	13 807	38 259
Taxes returned delinquent	<u>1 012</u>	<u>2 804</u>
Current tax collection	<u>\$ 12 795</u>	<u>\$ 35 455</u>

<u>Bay de Noc Community College</u>	<u>Delta County</u>	<u>Rapid River Schools</u>	<u>Intermediate Schools</u>	<u>State of Michigan S.E.T.</u>
\$ 19 131 525	\$ 19 131 525	\$ 19 131 525	\$ 19 131 525	\$ 19 131 525
<u>3.5501</u>	<u>7.1107</u>	<u>24.9226</u>	<u>2.3994</u>	<u>6.0000</u>
67 920	136 089	347 568	45 909	114 785
<u>4 985</u>	<u>9 213</u>	<u>25 055</u>	<u>3 375</u>	<u>5 345</u>
<u>\$ 62 935</u>	<u>\$ 126 876</u>	<u>\$ 322 513</u>	<u>\$ 42 534</u>	<u>\$ 109 440</u>

RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

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June 9, 2006

PROFESSIONAL BUILDING
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

Bay de Noc Township Board
Bay de Noc Township
Delta County, Michigan

I have audited the general purpose financial statements of Bay de Noc Township as of and for the year ended March 31, 2006, and have issued my report thereon dated June 9, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bay de Noc Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.


Internal Control Over Financial Reporting

In planning and performing my audit I considered Bay de Noc Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

June 9, 2006

to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ray L. Payment
Certified Public Accountant